

Message Text

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ACTION EUR-25

INFO OCT-01 ARA-16 EA-11 IO-14 ISO-00 AGR-20 SWF-02 AID-20

CEA-02 CIAE-00 COME-00 EB-11 FRB-03 INR-11 NSAE-00

RSC-01 CIEP-03 SP-03 STR-08 TRSE-00 LAB-06 SIL-01

SAM-01 OMB-01 L-03 H-03 SS-20 NSC-07 PA-04 PRS-01

USIA-15 DRC-01 /214 W

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R 301654Z SEP 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 4360

INFO USMISSION GENEVA

USMISSION OECD PARIS

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY BRUSSELS

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY LUXEMBOURG

AMEMBASSY BONN

AMEMBASSY THE HAGUE

AMEMBASSY STOCKHOLD

AMEMBASSY HELSINKI

AMEBASSY BERN

AMEMBASSY BUENOS AIRES

AMEMBASSY CANBERRA

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

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PASS AGRICULTURE

E.O. 11652: N/A

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TAGS: EAGR, EC

SUBJECT: GROWING UK SUPPORT FOR WEST GERMAN STAND ON THE CAP

REF: EC BRUSSELS 7972; LONDON 12405; LONDON 12672; LONDON 12678

BEGIN SUMMARY. THE WEST GERMAN STAND AGAINST THE PACKAGE OF AGRICULTURAL MEASURES AGREED IN BRUSSELS ON SEPT 20 IS SEEN IN THE UK AS A WELCOME DEVELOPMENT. THE PRIME MINISTER AND THE FOREIGN SECRETARY OVER THE WEEKEND BOTH HIGHLIGHTED LABOUR'S RENEGOTIATION POLICY IN ELECTION CAMPAIGN SPEECHES. THERE IS RECOGNITION HERE THAT GERMAN SPONSORED REFORM OF THE CAP, IN WHICH THE UK COULD SHELTER UNDER GERMANY'S WING, COULD TURN OUT TO BE OF CONSIDERABLE ASSISTANCE TO LABOUR IF IT IS RE-ELECTED TO OFFICE ON OCT 10 WITH ITS COMMITMENT TO PUT COMMUNITY MEMBERSHIP OF THE EC TO THE ELECTORATE. MEANWHILE, AGRICULTURE COMMISSIONER LARDINOIS IN A SPEECH IN THE UK ON SEPT 29 TRIED TO DE-DRAMATISE THE SITUATION CAUSED BY GERMANY'S STAND. THE BRITISH MINISTER OF AGRICULTURE HAS ASSURED UK FARMERS' LEADERS THAT HE INTENDS TO KEEP THE SEPT 20 BRUSSELS FARM PACKAGE INTACT IN THE LUXEMBOURG MEETINGS ON OCT 2. END SUMMARY.

1. BOTH THE PRIME MINISTER, MR. WILSON, AND THE FOREIGN SECRETARY, MR. CALLAGHAN, WERE QUICK TO REVIVE INTEREST IN EC AFFAIRS AND THE RENEGOTIATION QUESTION IN ELECTION CAMPAIGN SPEECHES ON SEPT 28. THE PRIME MINISTER SAID THAT LABOUR AND THE COUNTRY WERE UNITED ON THE NEED FOR RENEGOTIATION AND THAT THERE IS NO DOUBT THAT THE CAP WILL NOT SURVIVE WITHOUT RADICAL REFORM. THE DECISION TO SEND FOREIGN SECRETARY CALLAGHAN WITH AGRICULTURAL MINISTER PEART TO LUXEMBOURG ON OCT 2 REFLECTS THE INTENSE INTEREST WHICH HMG HAS IN THE GERMAN ATTITUDE. MR. CALLAGHAN SAID THAT LABOUR AFTER THE ELECTION PLANS A PERIOD OF INTENSIVE RENEGOTIATION TO PUT AN END TO UNCERTAINTY AS SOON AS POSSIBLE AND THAT IT HAD BECOME CLEAR THAT THE CAP WHICH BRITAIN HAS CRITICISED DID NOT MEET THE NEEDS OF THE GERMAN PEOPLE EITHER, SO BRITAIN WAS NOT ALONE IN WANTING FURTHER NEGOTIATIONS. "ALTHOUGH THERE IS A LONG WAY TO GO, WE CAN ACHIEVE THE MAJOR RENEGOTIATION WE SET LIMITED OFFICIAL USE

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OUT TO GET."

2. THE GOVERNMENT'S LONGER TERM STRATEGY OVER RENEGOTIATION HAS NOT, HOWEVER, PREVENTED THEM FROM HOPING THAT IN THE LUXEMBOURG MEETING ON OCT 2, THE BRUSSELS PACKAGE WILL EMERGE LARGELY UNSCATHED. AGRICULTURAL MINISTER PEART ASSURED NATIONAL FARMERS' UNION LEADERS ON SEPT 27 THAT HE WOULD GO TO THE MEETING WITH THE FIRM INTENTION

OF KEEPING INTACT THE WHOLE BRUSSELS PACKAGE. THE NFU
PRESIDENT, SIR HENRY PLUMB, SAID AFTER THE MEETING THAT
THE MINISTER RECOGNIZED THAT THE PRICE INCREASES SHOULD
COME INTO FORCE AS SOON AS POSSIBLE. THE NFU ATTACKED
THE GERMAN ACTION AND SAID THAT THE UNCERTAINTY CAUSED
WAS BRINGING ON LOSS OF CONFIDENCE TO FARMERS AND IN THE
LONGER TERM WOULD CAUSE CONSUMERS TO SUFFER. THE NFU
CONTINUES TO PRESS THE GOVT FOR A BEEF GUARANTEE
FOR BRITISH FARMERS AND EXPECTS SOME MOVE ON THIS POINT
AFTER THE LUXEMBOURG MEETINGS. THE NFU SAYS IT WOULD
LIKE TO SEE ALTERATIONS AND IMPROVEMENTS OF THE CAP BUT
IN THE MEANTIME IT WAS WRONG THAT FARMERS HAD TO WAIT
WHILE THE POLITICIANS SAT AROUND TALKING ABOUT THE
FUTURE.

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CAP

3. HMG'S VIEW ON REFORM OF THE CAP CONTINUES TO FAVOR INCOME SUPPLEMENTS AND OTHER FORMS OF DIRECT PAYMENTS TO FARMERS WITH MUCH LESS EMPHASIS ON HIGHER FARM PRICES AS THE PRINCIPAL MEANS OF AGRICULTURAL SUPPORT. EC AGRICULTURAL COMMISSIONER LARDINOIS IN A SPEECH AT THE ROYAL AGRICULTURAL COLLEGE, CIRENCHESTER, THIS WEEKEND, HOWEVER, SAID THERE WAS NO POSSIBILITY OF THE COMMUNITY DECIDING TO INTRODUCE A UK-STYLE SYSTEM OF DEFICIENCY PAYMENTS FOR MAJOR FARM PRODUCTS. HIS SPEECH WAS AN ATTEMPT TO PLAY DOWN THE SEVERITY OF THE CRISIS BROUGHT ABOUT BY THE GERMAN STAND. LARDINOIS SAID HE WAS CONFIDENT THAT GERMANY WOULD ON OCT 2 WITHDRAW ITS OBJECTION TO THE BRUSSELS DEAL OF SEPT 20 AND THAT IT WILL GO AHEAD IN ALL ITS DETAILS. HE SAID THE GERMAN OBJECTIONS COULD BE MET WITHOUT MUCH DIFFICULTY. THE COMMISSION INTENDED TO TAKE INTO ACCOUNT THE 5 PERCENT PRICE INCREASE AGREED BY THE OTHER EIGHT AT NEXT FEBRUARY'S ANNUAL REVIEW. IT WAS EQUALLY POSSIBLE THAT A STATEMENT BY MEMBER GOVERNMENTS ON NATIONAL SUPPORT MEASURES COULD BE GAINED AT LUXEMBOURG ON OCT 2. ON CAP REFORM, LARDINOIS SAID THE GERMAN DESIRE TO TAKE STOCK OF THE CAP WAS QUITE AGREEABLE TO THE COMMISSION "PROVIDED THAT IT TAKES PLACE WITHIN THE COMMUNITY INSTITUTIONS." HE WAS CAREFUL TO USE THE WORK "STOCKTAKING" RATHER THAN "REAPPRAISAL," MUCH LESS "RENEGOTIATION".

4. COMMENT. THE SITUATION CREATED BY THE GERMAN STAND IS SEEN HERE AS BEING VERY HELPFUL TO THE LABOUR PARTY, LESS IN TERMS OF IMMEDIATE ELECTORAL ADVANTAGE BUT RATHER NEXT YEAR WHEN, IF RE-ELECTED ON OCT 10, IT PUTS THE

QUESTION OF REMAINING IN THE EC TO THE POPULAR VOTE. IF
GERMAN LEADERSHIP CAN SUCCEED IN BRINGING ABOUT SOME
FUNDAMENTAL RETHINKING ON THE CAP, A LABOUR GOVT
MIGHT FIND IT EASIER TO RECOMMEND THAT THE ELECTORATE
VOTE FOR REMAINING IN THE COMMUNITY. IF IT COULD BE
CONVINCINGLY SHOWN THAT A RESTRUCTURED CAP DID NOT
CONTRIBUTE TO RISING FOOD PRICES AND IF THE CONTRIBUTIONS
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TO CAP COSTS BY THE UK COULD BE REDUCED, THEN AT LEAST SOME
OF THE LABOUR PARTY'S ANTI-EC FACTION COULD BE DISARMED.
IT IS CLEARLY IN THE INTEREST OF THE LABOUR PARTY TO SEE
THAT THE GERMAN STAND CONTINUES AND THE GERMANS CAN RELY
ON THE WHOLE-HEARTED SUPPORT OF A LABOUR GOVT.
DECON 9/30/75.
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